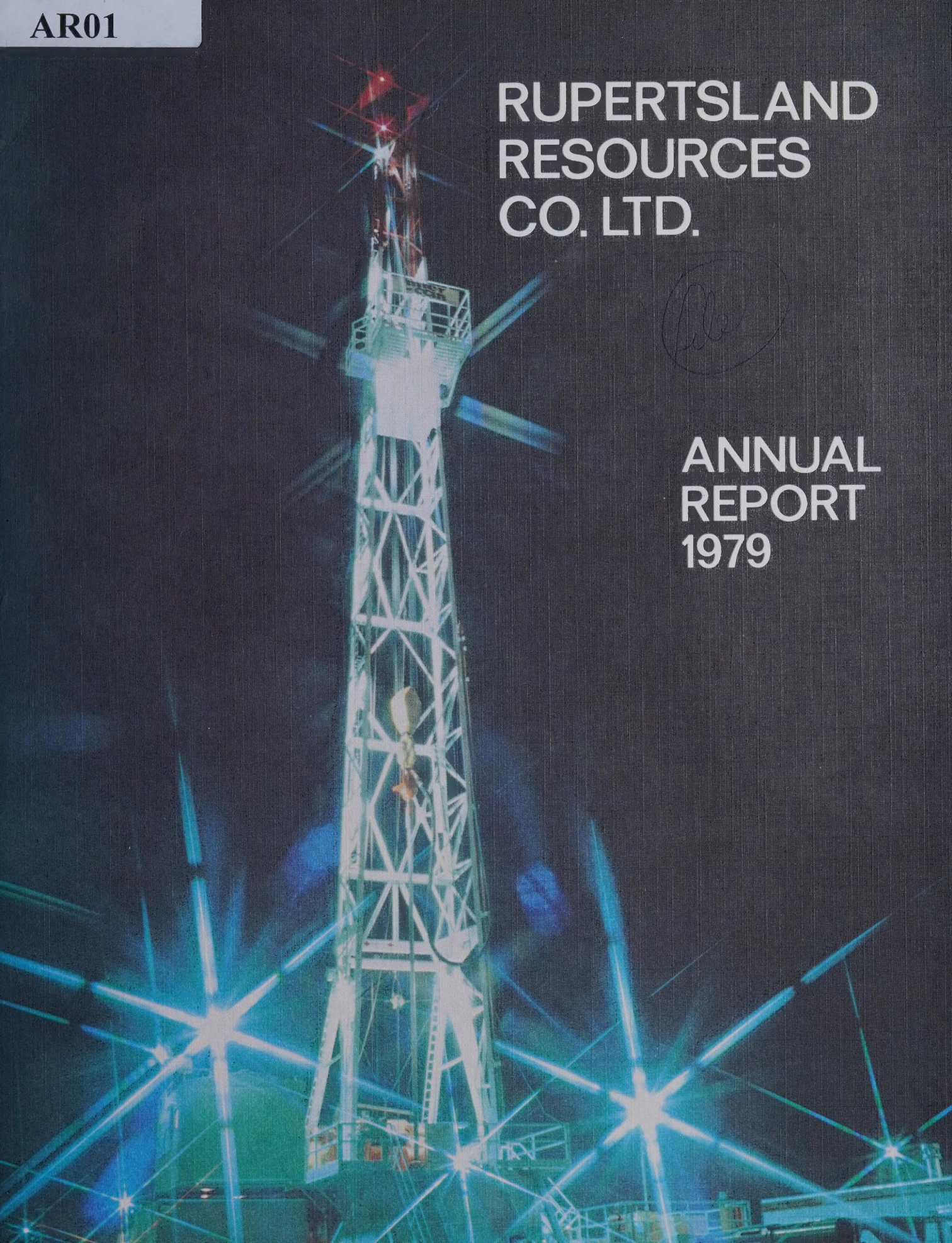


AR01

RUPERTSLAND RESOURCES CO. LTD.



ANNUAL REPORT 1979





In 1670, Charles II transferred about a quarter of North America to a group of friends known as "The Governor and Company of Adventurers of England Trading into Hudson Bay."

Their grant included exclusive rights to trade in furs in this vast territory, which comprised all the land drained by rivers flowing into Hudson Bay.

In return, the company was to maintain order and good relations, and to encourage exploration and settlement in Rupert's Land, as the region was called.

In 1869, the Company surrendered its monopoly along with Rupert's Land to the Crown, the west opened to settlement, and "The Bay" became just an ordinary business.

ANNUAL MEETING

The annual meeting of the shareholders of Rupertsland Resources Co., Ltd., will be held in the Banff room of the Calgary Inn, 4th Avenue and 3rd Street S.W., Calgary, Alberta, at 10:00 A.M., on Tuesday, June 24, 1980.

Formal notice of the meeting and proxy material are enclosed.

RUPERTSLAND RESOURCES CO. LTD.

CORPORATE INFORMATION

EXECUTIVE OFFICES

Suite 3350, Bow Valley Square II
205 - 5 Avenue S.W.
Calgary, Alberta
T2P 2V7

OFFICERS

Richard A. N. Bonnycastle, Chairman of the Board
Dennis L. Kolesar, President
J. F. Gibson, Vice President, Operations
John S. Eliuk, Vice President, Finance
G. Ray Hugo, Secretary

DIRECTORS

RICHARD A. N. BONNYCASTLE
Chairman and Director
President, The Cavendish Investing Group

DENNIS L. KOLESAR
President and Director.

G. RAY HUGO
Secretary and Director
President, Gulch Mines Inc.

JOSEPH SABO
Director
President, Windjammer Power and Gas Ltd.

JAMES S. PALMER
Director
Partner, Burnet, Duckworth & Palmer
Barristers & Solicitors

SOLICITORS

Burnet, Duckworth & Palmer
800 Royal Bank Building
335 - 8th Avenue S.W.
Calgary, Alberta
T2P 1C9

AUDITORS

Coopers & Lybrand
Suite 2400, Bow Valley Square III
255 - 5 Avenue S.W.
Calgary, Alberta
T2P 3G6

BANKERS

The Toronto Dominion Bank
Main Branch
Two Calgary Place
340 - 5th Avenue S.W.
Calgary, Alberta

TRANSFER AGENT & REGISTRAR

Montreal Trust Co.
411 - 8th Avenue S.W.
Calgary, Alberta
T2P 1E7

CREDIT: Front Cover Photo
By P. White Photographers

RUPERTSLAND RESOURCES CO. LTD.

LETTER TO THE SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to present herewith the eighth annual report for the year ended December 31, 1979 of Rupertsland Resources Co. Ltd.

1979 Corporate

Effective May 22, 1979, the Company changed its name to Rupertsland Resources Co. Ltd. The purpose of the name change was to reflect the Company's involvement in Western Canada in the search for resources. On June 20, 1979, the Company applied for a listing on the Toronto Stock Exchange and on November 30, 1979, Rupertsland was called for trading on the floor of the Exchange. To supplement internal cash flow during the fiscal year, the Company completed the placement of a private drilling fund in the amount of 3.4 million dollars. The Fund to be responsible for 66²/₃% of all costs to earn a 50% interest in all new ventures entered into by the Company. As of March 31, 1980, these monies were all committed and the Fund subsequently closed. The previous 1978 Fund, a 1.5 million dollar private placement was closed on March 1, 1979. This Fund has since grown to a value in excess of 3.0 million dollars at a 15% DCF and with forecast 1980 income in excess of \$100,000 is self-sustaining as it continues to develop its properties and is budgeted to participate in an additional 10 wells in 1980. The Company retains a 5% Management Fee on funds expended by the 1978 Fund.

1979 Exploration and Development

During the year, the Company conducted an aggressive land acquisition and exploration drilling program. Company gross acreage increased by 150,061 acres to 413,613 acres and net acreage from 29,230 acres to 44,679 acres. During 1979, the Company participated in 40 wells in Canada resulting in 15 oil, 16 gas and 9 dry holes for a net success ratio of 73%. In the United States, the Company participated in 20 wells resulting in 4 oil, 4 gas and 12 dry holes, for a net success ratio of 40%. Several oil and gas discoveries made in 1979 require follow up drilling which could significantly increase both oil and gas reserves during 1980.

For the 1979 fiscal year, the Company had net oil and gas revenues of \$523,146. Production for the year was 479,000 MCF of natural gas, despite experiencing some 100 days of shut in periods in Canada due to a lack of markets. Oil sales were 22,100 bbls.

1980 Plans

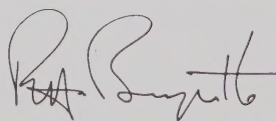
The Company is currently negotiating an agreement to purchase substantially all of the Canadian and United States oil and gas properties owned by R.A.N. Bonnycastle and The Cavendish Investing Group. These properties include approximately 119,800 gross acres (24,100 net) in Canada and 64,400 gross acres (10,400 net) in the United States.

With the recommended purchase of these properties net revenues in 1980 are forecast to reach 2.0 million Canadian plus 1.2 million U.S. and in 1981 3.5 million Canadian plus 1.75 million U.S. For the fiscal year 1980, these funds will be used for the participation in some 75 wells in Canada and 25 in the United States. In addition, Company funds in Canada will be supplemented with approximately 10.0 million dollars of private drilling funds.

The 1980 exploration and development budget is forecast at some 16.0 million dollars, split approximately 1¹/₂ Canada, 1¹/₂ United States.

We would once again express our appreciation to the dedicated efforts of our employees and the continuing support our shareholders have shown in the Company.

Respectfully submitted on behalf of the Board of Directors.



Chairman



President



Drilling for Basal Quartz Oil near Edmonton, Alberta.

DRILLING ACTIVITY

Rupertsland Resources Co. Ltd. and its subsidiaries participated in the drilling of 60 gross wells during the year, resulting in 20 gross gas wells, 19 gross oil wells and 21 gross dry holes.

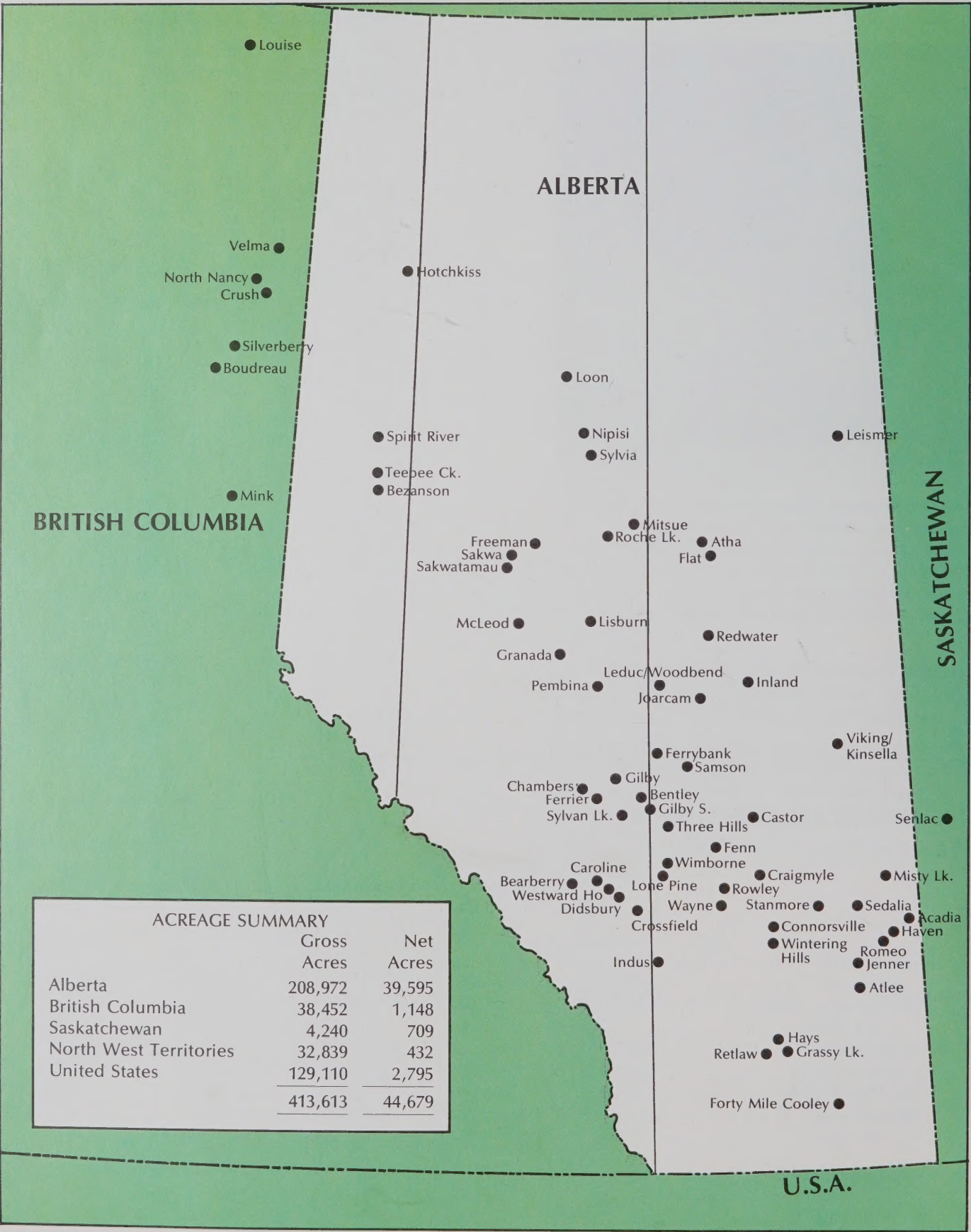
	<u>Gross</u>	<u>Net</u>
Canada		
Productive	31	3.92
Dry	9	1.48
United States		
Productive	8	0.36
Dry	12	1.06
Total		
Productive	39	4.28
Dry	21	2.54

FINANCIAL HIGHLIGHTS*

		(11 Months) December 31	January 31	(8 Months) January 31	May 31
	1979	1978	1978	1977	1976
	\$	\$	\$	\$	\$
Gross Production					
Revenue	1,099,023	689,979	610,426	316,205	125,944
Net Earnings (loss)	(1,402,229)	1,020	854,819	(24,702)	(136,054)
Per share	(.209)	—	.407	(.010)	(.068)
Total Assets	16,973,111	13,448,733	2,172,026	1,674,431	1,001,569
Current Assets	2,368,178	1,477,965	1,186,088	243,137	225,990
Working Capital	(1,405,078)	(1,033,622)	864,319	(319,677)	3,084
Shareholders' Equity	9,008,768	10,484,084	1,108,059	288,265	306,517
Per share	1.345	1.566	.531	.137	.145

*After giving retroactive effect to the change in accounting policy. See notes to financial statements.

RUPERTSLAND RESOURCES CO. LTD.





PRINCIPAL HOLDINGS

CANADA

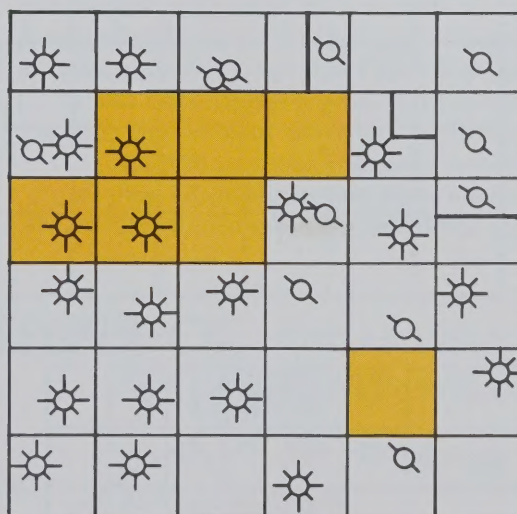
40 Mile Coulee

The Company holds a 25% working interest in 3,840 gross acres. To date 3 wells have been drilled and are currently producing their contract rate of 3.0 MMCFD. The Company plans to drill an additional well in 1982 to maintain its contracted rate.

Wintering Hills-Connorsville

The Company has a 50% working interest in some 13,775 acres in Wintering Hills and a 25% interest in 5,120 acres in Connorsville. In Wintering Hills, 21 gas wells are producing 850 MCFD from the Medicine Hat Zone and 2 wells are producing 650 MCFD from the Viking Zone. Additional wells are planned in 1980 to explore the potential of deeper horizons under the Company acreage.

R9



T7

FORTY MILE COULEE

☀ GAS WELL

☪ ABANDONED WELL

RUPERTSLAND RESOURCES CO. LTD.

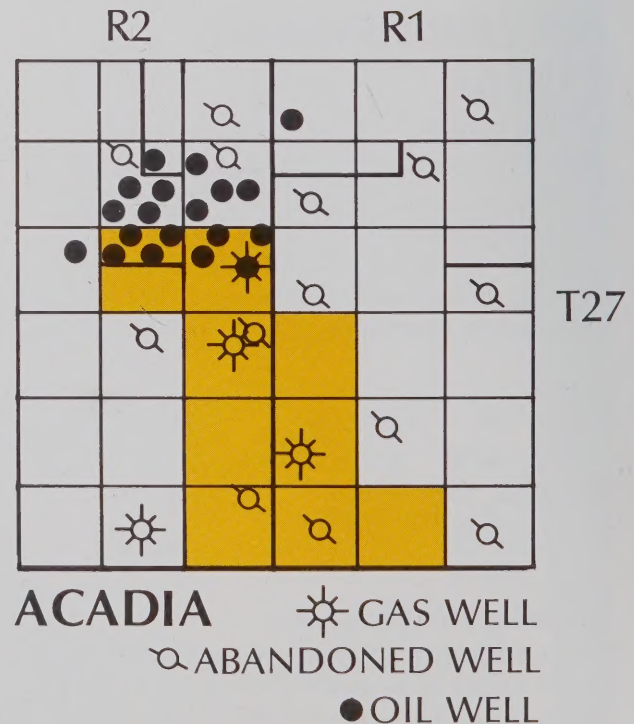
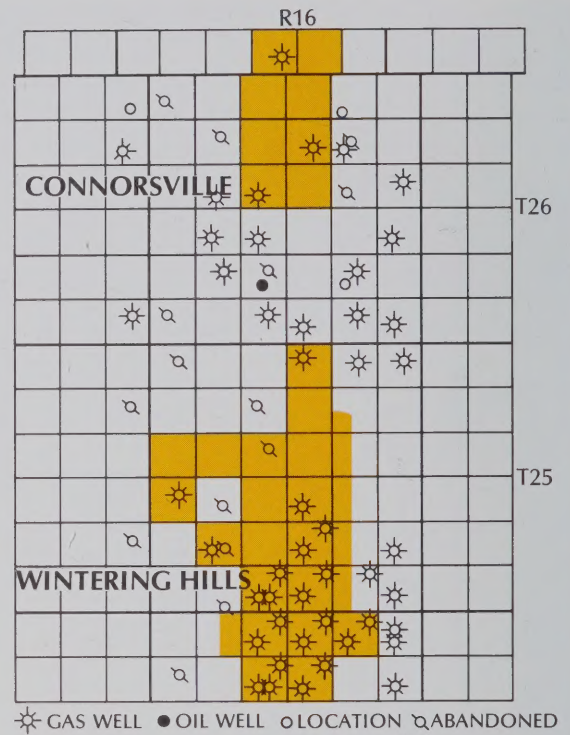
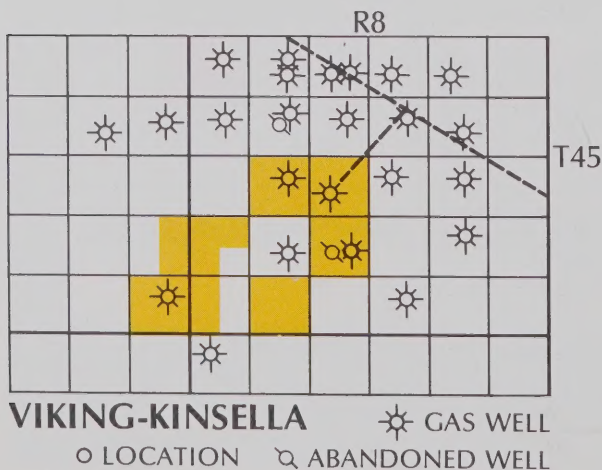
In Connorsville, the Company has a 25% interest in 3 gas wells. The well located in 6-20-26-16 W4M will be put on stream by mid-1980 at a contracted rate of 1,000 MCFD from the Basal Quartz formation. The Company will participate in 2 additional Basal Quartz tests in 1980.

Acadia

The Company has a 4.1% working interest in 5,760 gross acres. To date, the Company has participated in drilling 2 gas wells and 8 oil wells. One gas well, Paloma et al Sibbald, 6-7-27-1 W4M, has a gas contract and is producing its contracted rate of 500 MCFD. The second well is awaiting market. The 8 oil wells drilled to date will all be on stream and producing their allowable of 1000 bbls. per month by mid 1980. Individual well productivity ranges from a low of 20 bbls. per day to a high of 100 bbls. per day. A study for pressure maintenance is currently being conducted and a water-flood installation is planned by year end 1980. It is anticipated that 5 to 10 additional wells will be drilled in 1980.

Viking-Kinsella

The Company has an average interest of 22% in 4,320 acres in the Viking-Kinsella area of Alberta. To date, 4 wells have been drilled and completed as gas wells. The well, Ruperts et al Kinsella, 6-16-45-8 W4M has a gas contract and is currently producing its contracted rate of 1.1 MMCFD. The other wells have no gas contract. In 1980, the Company plans to drill an additional 4 wells and hopes to be able to contract additional gas reserves for sale in 1981.



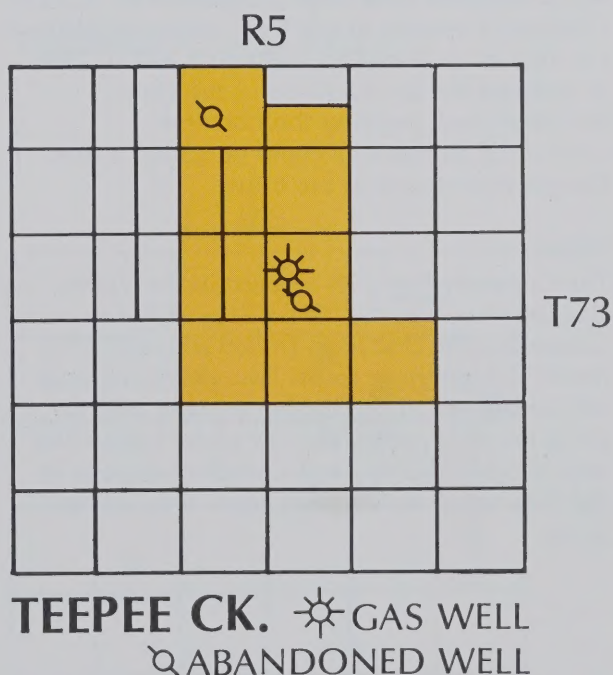
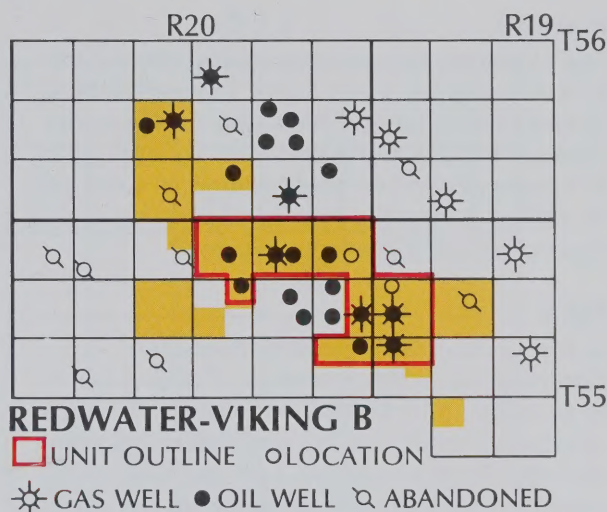
Redwater

The Company has a total of 1,911 net acres in 7,000 gross acres in the Redwater area. In December 1978, 3,680 gross acres were included in the Redwater Viking B Oil Unit No. 1, in which the Company has a 28% working interest plus a 0.169% gross overriding royalty. To date 12 wells have been drilled on this property of which 9 are producing oil wells and 3 are shut in gas wells awaiting market. Well productivity to date has been good with the poorest wells capable of 10 bbls. per day and the better wells 100 bbls. per day, however, individual wells have been assigned a daily allowable of 30 bbls. per day. The Company anticipates that 10 to 15 wells will be drilled in 1980. The Company recently signed a gas contract for their gas reserves and gas sales of about 1.25 MMCFD is anticipated to commence in November 1980.

Teepee Creek

The Company has a 12.5% working interest in the Sulpetro et al Clair, 11-22-73-5 W6M located in the Grande Prairie Area of Alberta. The well production tested 6.2 MMCF/D from 66' of net pay. Subsequent to drilling in May, 1979, the Company and Partners spent \$4.0 million in acquiring 4,160 gross acres on the seismically controlled structural feature. The Company anticipates that two additional wells will be drilled on the feature in 1980. Pending confirmation of seismic data by drilling additional wells, significant gas reserves may be added to the Company's interest.

In October, 1979, the Company participated to the extent of 12.5% in purchasing 8,800 gross acres some 12 miles to the Southeast of our discovery and a seismic program is planned.



RUPERTSLAND RESOURCES CO. LTD.

Hotchkiss

The Company has interests varying from 4.5% to 9.0% in 16,960 gross acres. Through 1979, 6 gas wells have been drilled. The field is under contract to PanAlberta and sales are anticipated to commence in late 1981. Additional wells will be drilled during the 1980-81 winter season and a gas processing plant constructed.

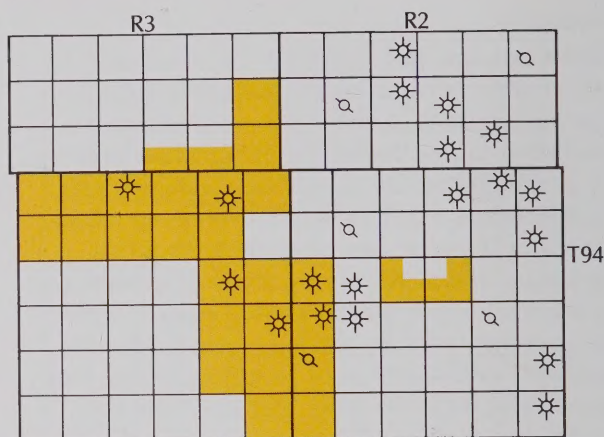
Senlac

In the Unity Area of Saskatchewan, the Company has a 25% interest in the well Home et al Senlac, 7-14-40-26 W3M, plus a 1.75% gross overriding royalty on 3½ sections of adjoining acreage. The 7-14 well has a 12' gas zone which tested 6.1 MMCFD and, in addition, has 40' of Dina Sand which tested 16 API oil. Wells drilled in and around our acreage also encountered heavy oil in the Dina with pay thickness varying from 25 to 40'.

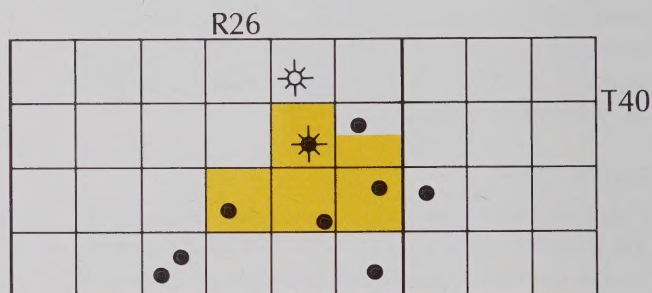
No oil reserves have been assigned the Company's interest at this time, however, plans are underway to drill an additional well in 1980 to evaluate the producibility of the Dina formation and, pending the outcome, substantial oil reserves could be added to the Company's interest in the future.

Velma

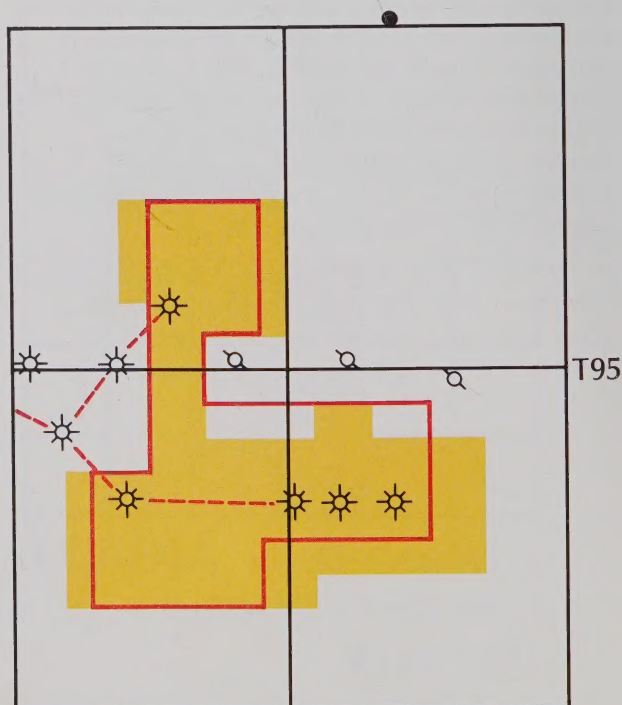
The Company has a 3% interest in the Velma Gas Unit No. 1 in the Velma Area of British Columbia. The Unit is on stream at a rate of 5.0 MMCFD from three wells. Two additional wells will be placed on production in early 1980 to bring the Unit production up to the contracted rate of 5.9 MMCFD. Total Company acreage in the area totals 16,700 gross acres with 566 net acres.



HOTCHKISS ☀ GAS WELL ☒ ABANDONED WELL



SENLAC ☀ GAS WELL ● OIL WELL



VELMA GAS UNIT NO. 1 ☀ GAS WELL ☒ ABANDONED WELL

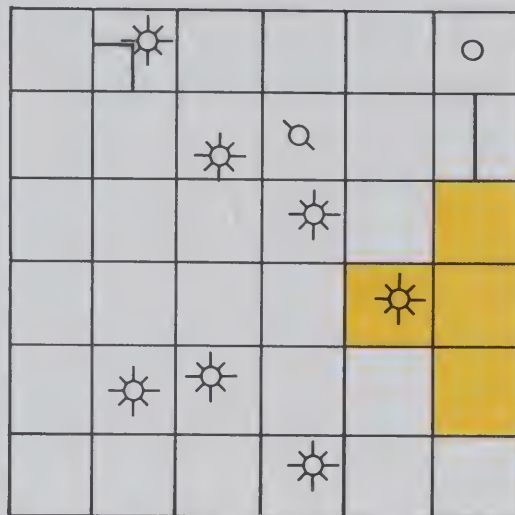
Boudreau

The Company has a 12.5% interest in 2,760 gross acres in the Fort St. John Area of Northeastern British Columbia. One well, GEOG et al Boudreau, 10-14-84-21 W6M, was drilled and completed as a commercial gas discovery in 1979. In late 1979, Wainoco Oils announced a major gas discovery 8 miles south of our acreage. The structural feature on which Wainoco drilled their well, culminates under our acreage and a seismic program was conducted in late 1979 to evaluate the potential of our undrilled lands. It is anticipated that one well will be drilled in 1980. Due to the competitive land situation in the area, no data is available for disclosure at this time.

Lisburn

In November, 1979, a commercial oil discovery was drilled on 640 acres of crown acreage in which the Company has a 12.5% working interest. The well has 18' of oil pay and produces 125 bbls. per day at 1,200 psig. flowing pressure through a $1\frac{1}{64}$ " choke. A subsequent well tested 6.2 MMCFD from 15' of gas pay and 120' of oil from another 10' of pay. The second well was being completed in January, 1980. In December 1979, the Company participated to the extent of 13.5% in acquiring an additional 640 acres. Seismic data indicates potential pay covers all our acreage. Four additional wells are planned to be drilled in 1980.

R21

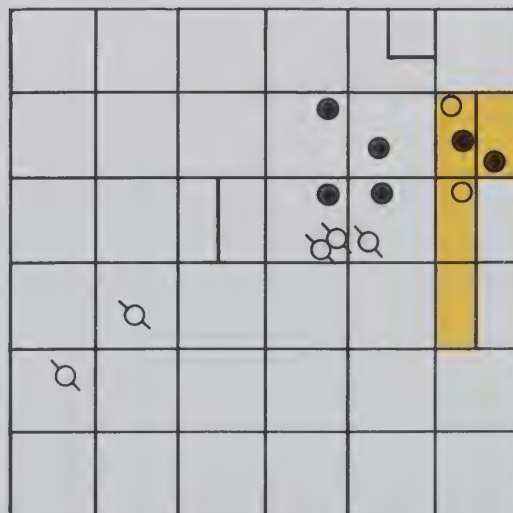


T84

BOUDREAU

○ LOCATION ☀ GAS WELL
⌘ ABANDONED WELL

R6



T56

CHERRILL LISBURN

☀ GAS WELL ● OIL WELL
⌘ ABANDONED WELL
○ LOCATION

UNITED STATES

Roberts County, Texas

The Company has varying interests from 2.76% to 10% in 22,646 gross acres in Roberts County, Texas. To date 9 wells have been drilled. In late October 1979, 4 wells were placed on stream at a rate of 150 bbls. per day and 3.5 MMCFD. Additional wells are planned during 1980 to test the development potential of our acreage.

California

The Company has committed to participate to the extent of a 5% working interest in a 6 well exploratory program in the State of California. To date 3 prospects have been drilled, 2 wells were dry and abandoned and the third well was cased to evaluate the heavy oil potential at 2,000'. Testing should be completed by early summer 1980. During the year, it is anticipated that 3 additional wildcat prospects will be drilled.

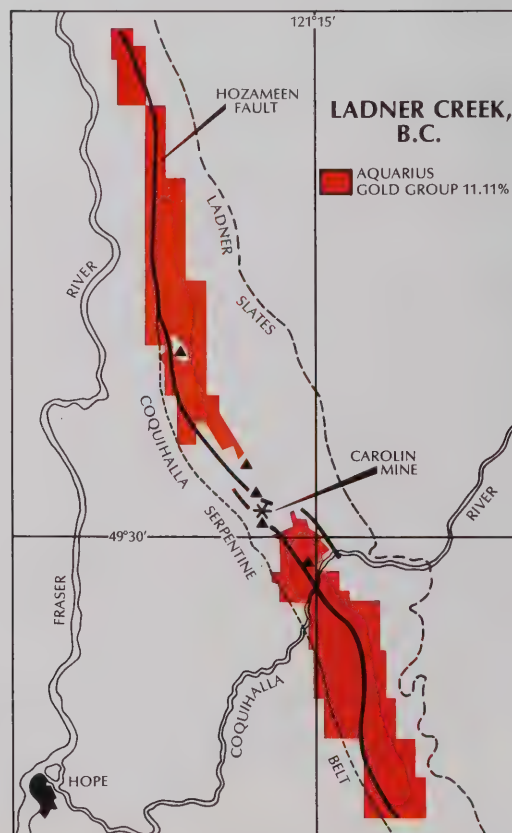


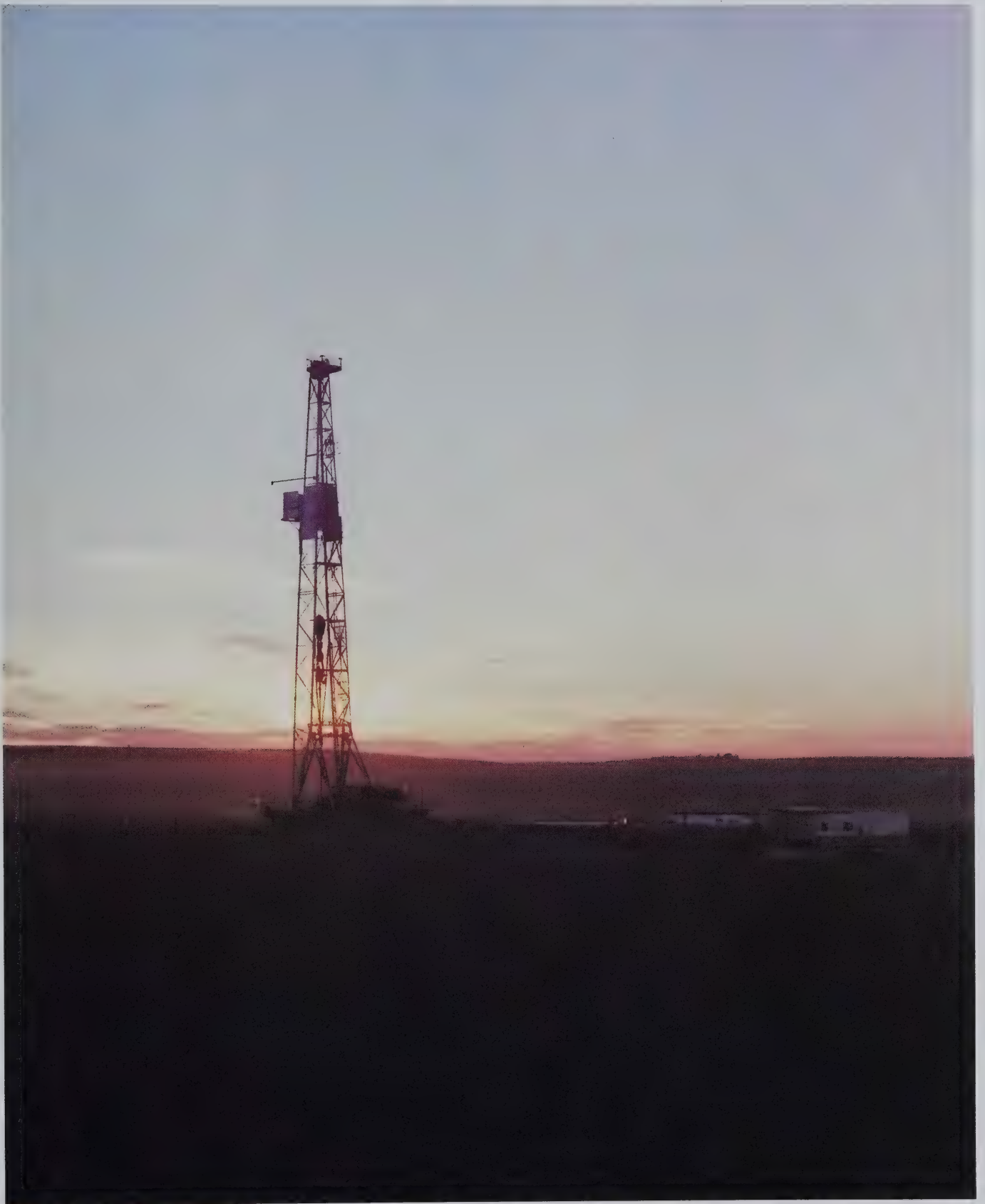
ROBERTS COUNTY * GAS WELL • OIL WELL

MINING

Rupertsland continues to concentrate its efforts along the Coquihalla Serpentine Belt near Hope, British Columbia. In October 1979, Rupertsland sold its 9.9% interest in Carolin Mines Ltd.'s Ladner Creek property to Windjammer Power & Gas Ltd. for a cash consideration of \$100,000. plus 150,000 shares of common stock of Windjammer. In December, Rupertsland exercised its option to acquire a 9.9% in the Hope Claims which offset the Ladner Creek Properties. Consideration was \$20,000. cash. This last purchase gives Rupertsland an interest in some 23,000 acres along this very promising gold trend.

Carolin Mines et al are proceeding to install a 1,500 ton per day smelter with an on stream target date of early 1981. With the commencement of production, Rupertsland's acreage should increase substantially in value.





Gas discovery at 40 Mile Coulee in Southern Alberta.

RUPERTSLAND RESOURCES CO. LTD.

Consolidated Balance Sheet

As At December 31, 1979

ASSETS

	1979	1978
	\$	\$
CURRENT ASSETS		
Cash		334,246
Term deposits	50,000	
Trade accounts receivable (notes 5 and 12)		
— third parties	1,179,157	925,846
— officer and director (note 3)	33,479	107,772
Drilling advances	866,232	46,553
Marketable securities (market value—\$285,000)	210,210	
Deposits and other	29,100	63,548
	<u>2,368,178</u>	<u>1,477,965</u>
MINERAL PROPERTIES — at cost	186,431	188,434
OIL AND GAS PROPERTIES (notes 5 and 12)	14,358,559	11,744,308
OTHER FIXED ASSETS — at cost (less accumulated depreciation and amortization of \$24,595; December 31, 1978 — \$16,614)	59,943	38,026
	<u>16,973,111</u>	<u>13,448,733</u>

SIGNED ON BEHALF OF THE BOARD

Director

D. L. Kolesar

Director

G. R. Hugo

LIABILITIES

	1979	1978
CURRENT LIABILITIES	\$	\$
Bank loans and advances (note 5)	1,962,231	1,177,000
Trade accounts payable and accrued liabilities	1,647,324	1,120,949
Advances from limited partnership (note 7)	71,482	213,638
Dividend payable on preferred shares of subsidiary	87,574	
Deferred revenue	4,645	
	<u>3,773,256</u>	<u>2,511,587</u>
LONG-TERM DEBT (note 11)	—	66,602
DEFERRED INCOME TAXES	118,000	387,000
PREFERRED SHARES OF SUBSIDIARY (note 12)	<u>4,000,000</u>	<u>—</u>
	<u>7,891,256</u>	<u>2,964,649</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)		
Authorized — 10,000,000 shares without nominal or par value		
Issued and fully paid — 6,696,211 shares	9,992,271	9,992,271
RETAINED EARNINGS (DEFICIT)	(910,416)	491,813
	<u>9,008,768</u>	<u>10,484,084</u>
	<u>16,973,111</u>	<u>13,448,733</u>

(formerly Canadian Obas Oil Limited)

Consolidated Statement of Earnings

For the Year Ended December 31, 1979

(with comparative figures for the
eleven months ended December 31, 1978)

	1979 \$	1978 \$
REVENUE		
Oil and gas sales	1,099,023	689,979
Less: royalties	278,225	164,401
	820,798	525,578
Interest on term deposits and miscellaneous	133,780	20,697
Gain on sale of mineral property	219,800	
	<u>1,174,378</u>	<u>546,275</u>
EXPENSES		
Lease operating and maintenance	297,652	242,540
Depletion	205,212	80,137
Depreciation and amortization	45,833	17,517
Dry holes and abandonments	1,383,986	65,347
Interest	44,618	51,856
General and administrative	618,169	140,615
	<u>2,595,470</u>	<u>598,012</u>
EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	<u>(1,421,092)</u>	<u>(51,737)</u>
INCOME TAX PROVISION (RECOVERY)		
Current	28,000	4,000
Deferred	(269,000)	(24,000)
Alberta royalty tax credit	(40,754)	(29,257)
	<u>(281,754)</u>	<u>(49,257)</u>
	<u>(1,139,338)</u>	<u>(2,480)</u>
AMOUNT ATTRIBUTABLE TO PREFERRED SHAREHOLDERS OF SUBSIDIARY COMPANY (note 12)	<u>(290,891)</u>	<u>—</u>
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	<u>(1,430,229)</u>	<u>(2,480)</u>
EXTRAORDINARY ITEM		
Recovery of income taxes on application of prior periods' losses	28,000	3,500
NET EARNINGS (LOSS) FOR THE YEAR	<u>(1,402,229)</u>	<u>1,020</u>
EARNINGS PER SHARE (note 9)		

(formerly Canadian Obas Oil Limited)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1979

(with comparative figures for the
eleven months ended December 31, 1978)

	1979 \$	1978 \$
SOURCE OF WORKING CAPITAL		
Net earnings (loss) for the year before extraordinary item	(1,430,229)	(2,480)
Items not affecting working capital —		
Depletion	205,212	80,137
Depreciation and amortization	45,833	17,517
Deferred income taxes	(269,000)	(24,000)
Dry holes and abandonments	1,383,986	65,347
(Gain) on sale of mineral property	(219,800)	
(Gain) on sale of fixed assets	(1,512)	
Provided from (used in) operations	(285,510)	136,521
Proceeds on share subscriptions		127,600
Issue of capital stock on acquisition of subsidiary		9,250,000
Issue of preferred shares of subsidiary	4,000,000	
Working capital deficiency acquired		86,560
Recovery of income taxes on application of prior periods' losses	28,000	3,500
Proceeds on sale of mineral property	310,000	
Proceeds on sale of fixed assets	10,300	
	<u>4,062,790</u>	<u>9,604,181</u>
USE OF WORKING CAPITAL		
Repayment of long-term debt	66,062	331,198
Mineral exploration	88,197	108,436
Oil and gas exploration and development	4,232,400	1,596,873
Repurchase of common shares		2,595
Excess of consideration over net book value of subsidiary assets acquired (note 3)		9,456,403
Other fixed assets	47,587	6,617
	<u>4,434,246</u>	<u>11,502,122</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(371,456)</u>	<u>(1,897,941)</u>
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR	<u>(1,033,622)</u>	<u>864,319</u>
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	<u><u>(1,405,078)</u></u>	<u><u>(1,033,622)</u></u>

(formerly Canadian Obas Oil Limited)

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1979

(with comparative figures for the
eleven months ended December 31, 1978)

	1979	1978
	\$	\$
RETAINED EARNINGS — BEGINNING OF YEAR	491,813	492,917
NET EARNINGS (LOSS) FOR THE YEAR	(1,402,229)	1,020
EXCESS OF COST OF COMMON SHARES REPURCHASED OVER AVERAGE CARRYING VALUE	—	(2,124)
RETAINED EARNINGS (DEFICIT) — END OF YEAR	<u>(910,416)</u>	<u>491,813</u>

(formerly Canadian Obas Oil Limited)

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Rupertsland Resources Co. Ltd. (an Alberta corporation) as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Calgary, Alberta
April 1, 1980 (Except for Note 13 which is at May 1, 1980)

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Notes to Financial Statements

For the Year Ended December 31, 1979

(with comparative figures for the
eleven months ended December 31, 1978)

1. CHANGE OF NAME

Effective May 22, 1979, the company changed its name from Canadian Obas Oil Limited to Rupertsland Resources Co. Ltd. Effective October 30, 1979, the company's subsidiary Rupertsland Resources Limited changed its name to Rup Resources Ltd.

2. ACCOUNTING POLICIES

(a) Principles of Consolidation

These financial statements include the accounts of the company, Rupertsland Resources Co. Ltd. (Rupertsland), and its wholly-owned subsidiaries 212687 Investments Ltd. and Rup Resources Ltd. (Rup) including its wholly owned subsidiary Rupertsland Resources (U.S.) Inc. The purchase method has been applied to account for the acquisition of Rup. The investment in 212687 Investments Ltd. was acquired by subscription.

(b) Oil and Gas Properties

The Company follows the successful efforts method of accounting for costs of oil and gas properties. Under this method, the company capitalizes lease acquisition costs and charges to expense lease carrying costs. Costs of drilling and equipping successful exploratory and development wells are capitalized. The carrying value of successful wells will not exceed the estimated net realizable value of underlying oil and gas reserves. The carrying values attributable to non-producing leases which subsequently become productive are transferred to producing properties.

Gains or losses on dispositions of oil and gas properties are included in income and the costs of dry holes and abandonments are expensed.

(c) Depletion, Depreciation and Amortization

Provision for depletion and depreciation of producing oil and gas properties and equipment is computed on the unit of production method based upon the estimated proven oil and gas reserves.

The excess of the purchase price of the subsidiary over the book value of shares has been allocated to oil and gas properties and the consolidated depletion is based on these values.

No depletion will be taken on non-producing oil and gas properties until the properties commence production.

(d) Mineral Properties

The amounts shown represent costs to date related to an exploration program being undertaken on certain mineral claims in British Columbia and are not intended to reflect present or future values. If the exploration proves successful, the costs will be depleted on the unit of production method based on estimated proven reserves. If unsuccessful the costs will be written off.

(e) Income Taxes

The Company follows the tax allocation method of accounting for income taxes whereby deferred taxes are provided to the extent that taxes otherwise payable have been reduced by claiming capital cost allowance, exploration, development and lease acquisition costs in excess of the related depreciation, depletion, amortization, and dry holes and abandonments provided in the financial statements.

(f) Foreign Currency Translation

The accounts of the United States operations have been included in the consolidated financial statements in Canadian dollars. Current assets and current liabilities have been translated at the rate in effect at the balance sheet date. Non-current assets and non-current liabilities have been translated at applicable historical rates. Operating results for the period are translated at the average monthly rate of exchange during the year.

(g) Earnings Per Share

Earnings per share calculated on the basis of the weighted average number of shares outstanding. Fully diluted earnings per share has not been disclosed as they do not result in dilution.

(h) Joint Ventures

Substantially all of the company's and its subsidiaries' exploration and production activities are conducted jointly with others and the accounts reflect only the company's and its subsidiaries' proportionate interest in such activities.

(i) Investment in Canadian Obas 1978 Program

The company's share of oil and gas acquisition, exploration and development costs under this partnership have been included in oil and gas properties as the partnership assets are to be distributed to the parties in proportion to their partnership interest by December 31, 1980. The company's proportionate share of revenue and expenses has been allocated to the applicable categories on the statement of earnings.

3. TRADE ACCOUNTS RECEIVABLE FROM OFFICER AND DIRECTOR

Presently an officer and director has a retained interest through a past joint venture agreement in certain of the oil and gas properties in which the company's subsidiary has an interest. As a result of transactions involving these properties the company makes payments on behalf of the officer and director and is reimbursed. No profits or losses are realized on such transactions.

4. STOCK OPTIONS

The company has granted the following stock options to employees;

100,000 shares at \$1.80 per share exercisable in varying amounts up to April 28, 1983

40,000 shares at \$2.63 per share exercisable in the amount of 8,000 shares per year on a cumulative basis until November 8, 1983.

94,000 shares at \$3.09 per share exercisable in the amount of 18,000 shares per year on a cumulative basis until November 8, 1984.

12,000 shares at \$4.03 per share exercisable in the amount of 2,400 shares per year on a cumulative basis until November 6, 1984.

In addition 44,000 shares reserved for stock options have not yet been granted.

5. SECURITY FOR BANK LOANS AND ADVANCES

The company has pledged as security for certain bank indebtedness certain of the company's book debts and oil and gas properties.

6. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Limited Partnership

The company's subsidiary (Rup) acts as the general partner in Rupertsland Westlock Company a limited partnership. As general partner, Rup does not share in the income of the partnership. Under the limited partnership agreement, Rup is not required to make capital contributions to the partnership. As compensation to the general partner, Rup is paid an 8% management fee by the limited partners based on monies dispersed on their behalf.

(b) Commitment

An agreement with Consolidated Pipeline Company (Consolidated) exists in the Wintering Hills area, whereby the producers are committed for 15 years to a minimum through-put of 2,500 MCF per day at \$.17 per MCF for the first 5 years, \$.14 per MCF for the second 5 years, and \$.09 per MCF for the last 5 years. Charges for through-put in excess of the minimum are \$.04 per MCF for the first 1,000 MCF per day and \$.02 for additional MCF's for the first 5 years and \$.03 and \$.015 respectively for the second 5 years. Excess volumes in the third 5 year period are subject to \$.09 per MCF. All volumes after the fifteenth year are at \$.09 per MCF.

The producers (Rupertsland represents 50%) are jointly and severally liable to Consolidated for all obligations under the contracts.

(c) Service Contracts

Under an agreement with Edouard Resources Ltd. the company is committed to make payments totalling \$87,000 for services over the two years commencing May 1, 1978. In addition, a gross overriding royalty of 3% has been granted by Rupertsland to the company for the period of the agreement.

A similar agreement exists with Foreground Resources Limited whereby the company's subsidiary is committed to make payments totalling \$165,500 for services over the three years commencing May 1, 1978. In addition, a gross overriding royalty of 3% has been granted by the company's subsidiary to Foreground Resources Limited.

7. OPERATION OF CANADIAN OBAS 1978 PROGRAM

The company acts as the general partner in the Canadian Obas 1978 Program, a limited partnership. Under the limited partnership agreement, the company is responsible for one-half of all drilling costs, lease acquisition and rental costs, geological and geophysical costs, and legal, accounting or other professional service costs incurred by the partnership. For an initial period of six months the company is also responsible for all administrative and overhead costs but is reimbursed by the limited partners the sum of \$12,500 per month. After the initial six month period, the company is responsible for one-half of administrative and overhead costs. One-half of revenues of the limited partnership are allocated to the company.

Under the limited partnership agreement, the company agreed to conduct all of its exploration activities in Canada through the partnership for the period from July 1, 1978 to July 1, 1979 or until all contributions have been expended or committed.

During the year, the limited partners agreed to make additional contributions to the partnership. For the administration of these additional funds the company received a fee of \$37,500. All of the limited partners' contributions, including the additional contributions, were expended or committed by December 31, 1979. The partnership is to wind-up as of December 31, 1980.

8. OPERATION OF RUPERTS JOINT VENTURE 1979

The company acts as the operator of a joint venture fund in the name of Ruperts Joint Venture 1979. Under the joint venture agreement, the company is responsible for one-third of all acquisition, drilling and exploration costs and for one-half of all completion, development, equipping and operating costs. The company will pay all administrative and overhead costs except for two-thirds of legal, accounting or other professional services directly related to the management, operation and supervision of the operations of the joint venture prior to the time the operating procedure is in effect.

Under the joint venture agreement, the company agreed to conduct all of its activities for the exploration and development of petroleum rights in Canada through the joint venture for the period from July 1, 1979 to December 31, 1980 or until all monies in the joint venture fund have been expended or are insufficient to continue the operations of the joint venture.

As at December 31, 1979, \$1,600,000 of the \$1,700,000 received by the joint venture fund has been expended. An additional \$1,700,000 remains to be received by the fund.

RUPERTSLAND RESOURCES CO. LTD.

9. EARNINGS PER SHARE

	1979	1978
	\$	\$
Basic earnings per share —		
Earnings before extraordinary items	(0.214)	(0.001)
Net earnings	(0.209)	—

10. STATUTORY INFORMATION

Remuneration of directors senior officers and certain employees as defined by the Companies Act (Alberta) amounted to \$157,800 during the year (December 31, 1978 — \$41,000)

11. LONG-TERM DEBT

The long-term debt at December 31, 1978 consisted of a non-interest bearing note payable with no specified terms of repayment.

12. PREFERRED SHARES OF SUBSIDIARY

Pursuant to a subscription agreement dated November 15, 1978 and a purchase and loan agreement dated January 30, 1979, the company and its subsidiaries obtained \$4,000,000 in bank financing through the issue by 212687 Investments Ltd. of 40 cumulative, redeemable, non-voting preference shares with a par value of \$100,000 each.

Dividends are payable quarterly on the preferred shares at a rate of 1½% plus one-half of the bank prime rate.

The preferred shares may be redeemed at par value, at the option of the company, after January 26, 1980.

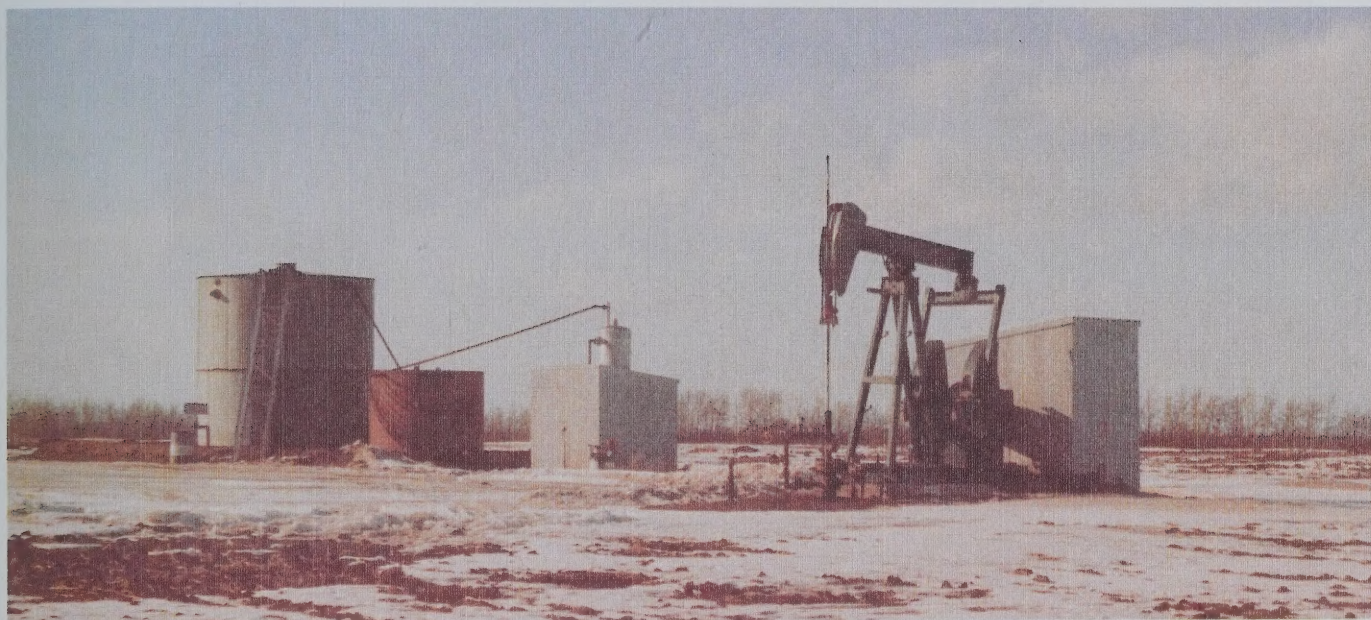
The preferred shares shall otherwise be redeemed at par value at the rate of 10 shares per year for a total of \$1,000,000 a year for each of the years ending December 31, 1982 through 1985. In the case of default on these redemption provisions, the holders of the shares can request early redemption of all outstanding shares.

As security for the financing, the company and its subsidiary, Rup, have pledged certain of their oil and gas properties, book debts and first fixed and floating charge debentures on all other assets.

In addition, the company and its subsidiary, Rup, have agreed to several covenants which require prior written consent of the bank. Certain of the covenants included written consent by the bank before obtaining additional secured indebtedness, disposing of substantial portions of property interests, and declaring and paying dividends.

13. SUBSEQUENT EVENT

Subsequent to December 31, 1979, the Company is planning to acquire oil and gas properties in return for certain shares of the Company. The properties will be acquired from The Cavendish Investing Group in which an officer, director and major shareholder of the Company has a substantial interest.



Discovery oil well Ruperts et al Elk Island 6-36-55-20W4 located 15 miles North East of Fort Saskatchewan, Alberta.

CAPITALIZATION

Authorized

10,000,000 shares, No par value.

Issued

6,696,211 shares.

STOCK TRADING

The shares of Rupertsland Resources Co. Ltd. are listed on the Toronto Stock Exchange trading under the symbol "RUP".

The summary of the past three calendar years of stock trading is shown below:

	<u>1979</u>	<u>1978</u>	<u>1977</u>
Shares traded	1,093,710	594,030	199,630
High	\$4.80	\$3.75	\$1.90
Low	\$3.10	\$1.40	\$1.40

RUPERTSLAND RESOURCES CO. LTD.

ANNUAL REPORT 1979